

Report on the

# Bishop State Community College

Mobile, Alabama

October 1, 2020 through September 30, 2021

Filed: June 24, 2022



## Department of Examiners of Public Accounts

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*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

**State of Alabama**  
Department of  
**Examiners of Public Accounts**

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Honorable Rachel Laurie Riddle  
Chief Examiner of Public Accounts  
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on Bishop State Community College, Mobile, Alabama, for the period October 1, 2020 through September 30, 2021. Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Phillipe Walker  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Bishop State Community College  
October 1, 2020 through September 30, 2021**

Bishop State Community College (the “College”) is a comprehensive, public, two-year community college with four campuses located in Mobile. The College is accredited by the Southern Association of Colleges and Schools Commission on Colleges to award the Associate in Arts, Associate in Science, Associate in Applied Science, and Associate in Occupational Technologies degrees. The College also awards certificates and short-term certificates in selected career and technical fields.

Bishop State Community College is a publicly supported institution in the Alabama Community College System. The College is under the direction and control of Alabama Community College System Board of Trustees through the Chancellor of the Alabama Community College System Office.

This report presents the results of an audit, the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the College complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, as well as, the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12.

An unmodified opinion was issued on the basic financial statements, which means the College’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2021.

## **AUDIT FINDINGS**

Instances of noncompliance with state laws and regulations and other matters were found during the audit, as shown on the Schedule of State Compliance and Other Findings and they are summarized below.

- ◆ 2021-001: The College failed to perform an annual physical inventory of capital asset items in accordance with Alabama Community College System (ACCS) Board Policy **324.01: Capital Assets**. This finding was previously reported as Finding 2020-001.
- ◆ 2021-002: The College failed to assess the taxable benefit and report on an employee's W-2 Form personal use of a college owned vehicle.

Problems were found with the College's internal control over financial reporting (Exhibit 12) and they are summarized below:

- ◆ 2021-003: Bank authorization forms were not updated when Key Officials terminated employment.
- ◆ 2021-004: The College failed to record and report salary accruals for instructors' salaries at year-end.

Problems were found with the College's internal controls over compliance for its federal assistance programs (Exhibit 12) and they are summarized below:

- ◆ 2021-005: The College failed to comply with the reporting requirements required by the COVID-19 Higher Education Emergency Relief Fund (HEERF) grants.
- ◆ 2021-006: The College failed to obtain multiple price quotes for purchases made with federal COVID-19 HEERF funds in amounts between the micro-purchase threshold (\$10,000) and the Alabama Competitive Bid Law threshold (\$15,000).

## **EXIT CONFERENCE**

The following officials/employees were invited to an exit conference to discuss the results of the audit: Dr. Lawrence Brandyburg, Interim President and Jimmy Baker, Chancellor of the Alabama Community College System. The following individuals attended the exit conference: Dr. Lawrence Brandyburg, Interim President and Kelly Little, Director of Accounting. The following individuals from the Alabama Community College System attended virtually: Jessica Davis, Associate Director of Financial Services; Donna Boutwell, Director of Compliance; Erica Doody, Financial Compliance Accountant; and Julia Dennis, Fiscal Services Accountant. Representing the Department of Examiners of Public Accounts were: Phillipe Walker, Examiner and Mary Ann DuBose, Audit Manager. Mary Ann DuBose attended virtually.

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*Schedule of State Compliance  
and Other Findings*

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## *Schedule of State Compliance and Other Findings*

### *For the Year Ended September 30, 2021*

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Ref. No.	Finding/Noncompliance
2021-001	<p><b><u>Finding:</u></b></p> <p>The Alabama Community College System (ACCS) Board’s Policy <b>324.01: Capital Assets</b> states: “Each institution shall conduct an annual physical inventory of capitalized items and reconcile to the financial statement for the corresponding fiscal year.” The Chancellor’s procedure for Policy 324.01 states, “The inventory shall show the complete description, manufacturer’s serial number, acquisition cost, date of purchase, location, responsible office or employee, and the college property control number. An employee must be designated as property manager. Except for books, the property manager shall make an annual physical inventory of all applicable personal property. When a physical inventory fails to locate property items listed on the previous inventory, then a complete explanation accounting for the property and disposition thereof shall be attached to the inventory and submitted to the Chief Financial Officer.”</p> <p>The performance of an annual inventory with reconciliation to the financial statements helps the College to maintain accountability for property and to minimize the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected. The College failed to perform an annual physical inventory of capital assets for the 2021 fiscal year. Eight equipment items randomly selected for physical location were located; however, it was noted that for six of the equipment items serial numbers were not included in the College’s equipment inventory records.</p> <p><b><u>Recommendation:</u></b></p> <p>In order to ensure that accountability is maintained for property, the College should follow the physical inventory requirements in ACCS Board Policy <b>324.01: Capital Assets</b>.</p>

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## *Schedule of State Compliance and Other Findings*

### *For the Year Ended September 30, 2021*

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Ref. No.	Finding/Noncompliance
2021-002	<p><b><u>Finding:</u></b></p> <p>The Internal Revenue Service Publication 15-B provides that certain fringe benefits, such as employer provided vehicles to be used for commuting purposes, provided to employees are considered taxable to the individual, unless they qualify for certain exemptions. The College provided a college owned vehicle to an employee for commuting purposes. The individual did not qualify for an exemption under the Internal Revenue Service Guidelines. The College did not have policies and procedures in place to ensure the value of fringe benefits, as defined in IRS Publication 15-B, were included on the employee's W-2 form. As a result, the College did not properly report all taxable compensation on the employee's W-2 form.</p> <p><b><u>Recommendation:</u></b></p> <p>The College should have procedures in place to assess the taxable fringe benefits resulting from the personal use of college owned vehicles to employees in accordance with IRS regulations and should ensure proper reporting on the employees' W-2 Forms.</p>

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# *Independent Auditor's Report*

## **Independent Auditor's Report**

Jimmy Baker, Chancellor – Alabama Community College System  
Charles Jones, Acting President – Bishop State Community College  
Mobile, Alabama 36603

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Bishop State Community College, a component unit of the State of Alabama, as of and for the year ended September 30, 2021, and related notes to the financial statements which collectively comprise Bishop State Community College's basic financial statements as listed in the table of contents as Exhibits 1 through 3.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Bishop State Community College, as of September 30, 2021, and its changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the College's Proportionate Share of the Collective Net Pension Liability, the Schedule of the College's Contributions – Pension, the Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability and the Schedule of the College's Contributions – Other Postemployment Benefits (OPEB) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Bishop State Community College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 8) is presented for purposes of additional analysis as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (*Uniform Guidance*) and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with ***Government Auditing Standards***, we have also issued our report dated June 10, 2022, on our consideration of Bishop State Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bishop State Community College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering Bishop State Community College's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

June 10, 2022

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*Management's Discussion and Analysis*  
*(Required Supplementary Information)*

# Bishop State Community College

## Management's Discussion and Analysis

### *Overview of the Financial Statements and Financial Analysis*

Bishop State Community College is proud to present its financial statements for fiscal year 2020-2021. The emphasis of discussion about these statements will be on current year data and a comparative analysis with prior year data. There are three financial statements presented: The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The discussion and analysis of the College's financial statements provide an overview of its financial activities for the year. The financial data represents the operation of the Main, Carver, Central and Southwest Campuses of Bishop State Community College.

### ***Statement of Net Position***

The Statement of Net Position presents the Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position of the College as of the end of the fiscal year, September 30, 2021. The Statement of Net Position is a point of time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of Bishop State Community College. The financial statements present end of year data concerning Assets (current and noncurrent), Deferred Outflows, Liabilities (current and noncurrent), Deferred Inflows and Net Position (Assets plus Deferred Outflows minus Liabilities and Deferred Inflows). The difference between current and noncurrent assets will be discussed in the financial statement disclosures.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors, investors and lending institutions. In summary, the Statement of Net Position provides a picture of the net position (Assets plus Deferred Outflows minus Liabilities and Deferred Inflows) and their availability for expenditure by the College.

Net Position is divided into three major categories. The first category, Net Investment in Capital Assets, provides the College's equity in property, plant and equipment owned by the College. The next category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position is available for expenditure by the College but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the resources. The final category is unrestricted net position which is available to the College for any appropriate purpose of the College.

<b>Statement of Net Position</b>	<b>2020-2021</b>	<b>2019-2020</b>	<b>Change</b>
<b>Assets:</b>			
Current Assets	\$ 30,818,384	\$ 21,224,844	\$ 9,593,540
Capital Assets, Net	45,669,871	30,283,958	15,385,913
Other Assets	372,639	19,899,699	(19,527,060)
<b>Total Assets</b>	<b>76,860,894</b>	<b>71,408,501</b>	<b>5,452,393</b>
<b>Deferred Outflow of Resources</b>	8,951,064	5,311,565	3,639,499
<b>Liabilities:</b>			
Current Liabilities	6,888,019	6,259,164	628,855
Non-current Liabilities	52,346,841	49,693,641	2,653,200
<b>Total Liabilities</b>	<b>59,234,860</b>	<b>55,952,805</b>	<b>3,282,055</b>
<b>Deferred Inflow of Resources</b>	9,887,082	10,637,061	(749,979)
<b>Net Position:</b>			
Net Investment in Capital Assets	26,809,296	28,323,510	(1,514,214)
Restricted – Expendable	3,432,619		3,432,619
Restricted -Non-Expendable	151,880	151,880	
Unrestricted	(13,703,779)	(18,345,190)	4,641,411
<b>Total Net Position</b>	<b>\$ 16,690,016</b>	<b>\$ 10,130,200</b>	<b>\$ 6,559,816</b>

The College assets show an increase of \$5,452,393. Liabilities show an increase of \$3,282,055. This increase in assets is primarily due to the purchase of new equipment in preparation of new facilities and construction in progress. Liabilities increased as bond funds became a booked liability during construction in progress paid with the 2019 Bond series funds.

## *Statement of Revenues, Expenses and Changes in Net Position*

Changes in total Net Position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenue received by the College (both operating and non-operating), and the expenses paid by the College (both operating and non-operating).

### **Statement of Revenues Expenses and Changes in Net Position**

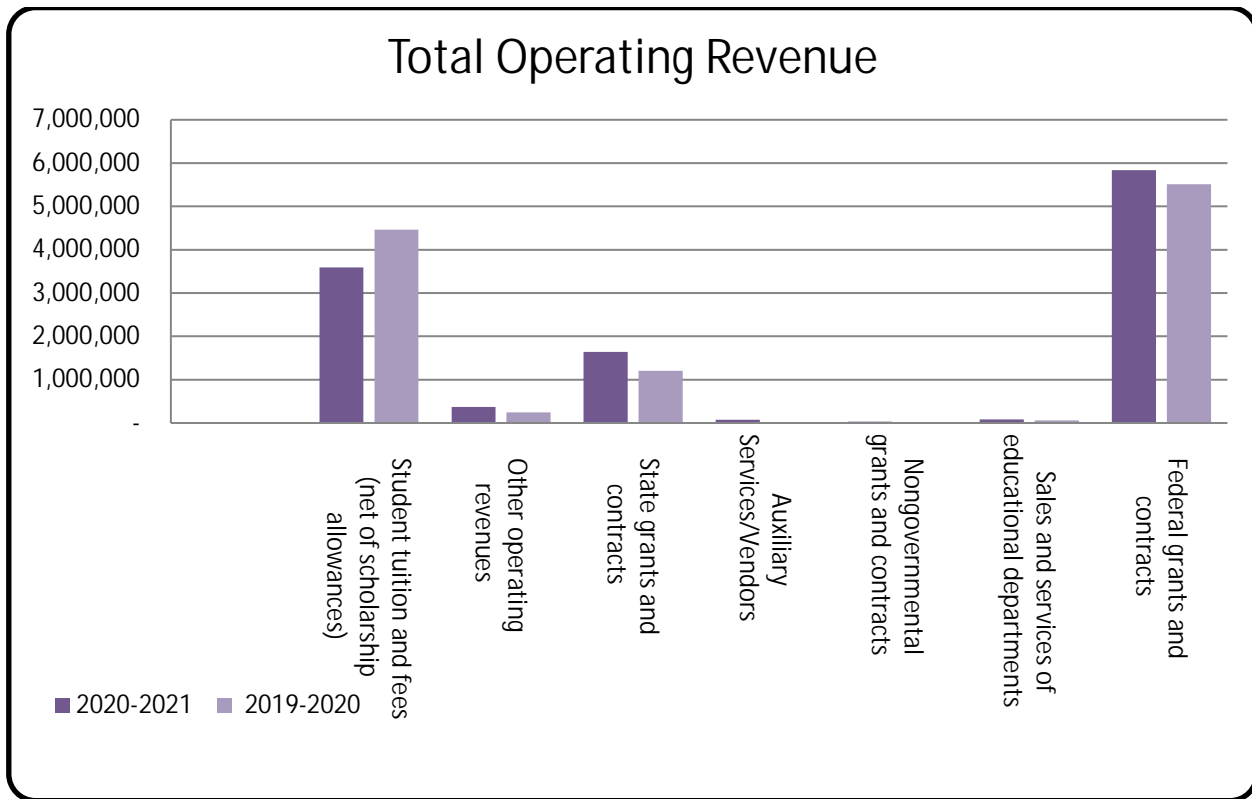
	<b>2020-2021</b>	<b>2019-2020</b>	<b>Change</b>
<b>Operating revenues</b>	\$ 11,624,653	\$ 11,468,384	\$ 156,269
<b>Operating expenses</b>	(35,850,866)	(30,848,444)	(5,002,422)
<b>Operating loss</b>	(24,226,213)	(19,380,060)	(4,846,153)
<b>Non-operating revenues</b>	31,357,615	22,535,587	8,822,028
<b>Non-operating expenses</b>	(612,292)	(559,201)	(53,091)
<b>Change in net position</b>	6,519,110	2,596,326	3,922,784
<b>Net Position at Beginning of Year</b>	10,130,200	8,407,325	1,722,875
<b>Restatement of Beginning Net Position</b>	40,706	(873,451)	914,157
<b>Net Position at End of Year</b>	<b>\$ 16,690,016</b>	<b>\$ 10,130,200</b>	<b>\$ 6,559,816</b>

Operating expenses increased due to the campus operations resuming and the increased funding provided by HEERF and ARP dollars to ramp up on-line course offerings and strategic staffing management. The increase in revenues comes from Federal Care and HEERF grant support during the pandemic.

<b>OPERATING REVENUES</b>	<b>2020-2021</b>	<b>2019-2020</b>	<b>Change</b>
Student tuition and fees (net of scholarship allowances)	\$ 3,588,339	\$ 4,464,105	\$(875,766)
Other operating revenues	369,372	226,694	142,678
State grants and contracts	1,644,125	1,201,745	442,380
Auxiliary Services/Vendors	71,206	0.00	71,206
Nongovernmental grants and contracts	33,390	0.00	33,390
Sales and services of educational departments	84,700	60,599	24,101
Federal grants and contracts	<u>5,833,521</u>	<u>5,515,241</u>	<u>318,280</u>
	<u>\$11,624,653</u>	<u>\$11,468,384</u>	<u>\$ 156,269</u>

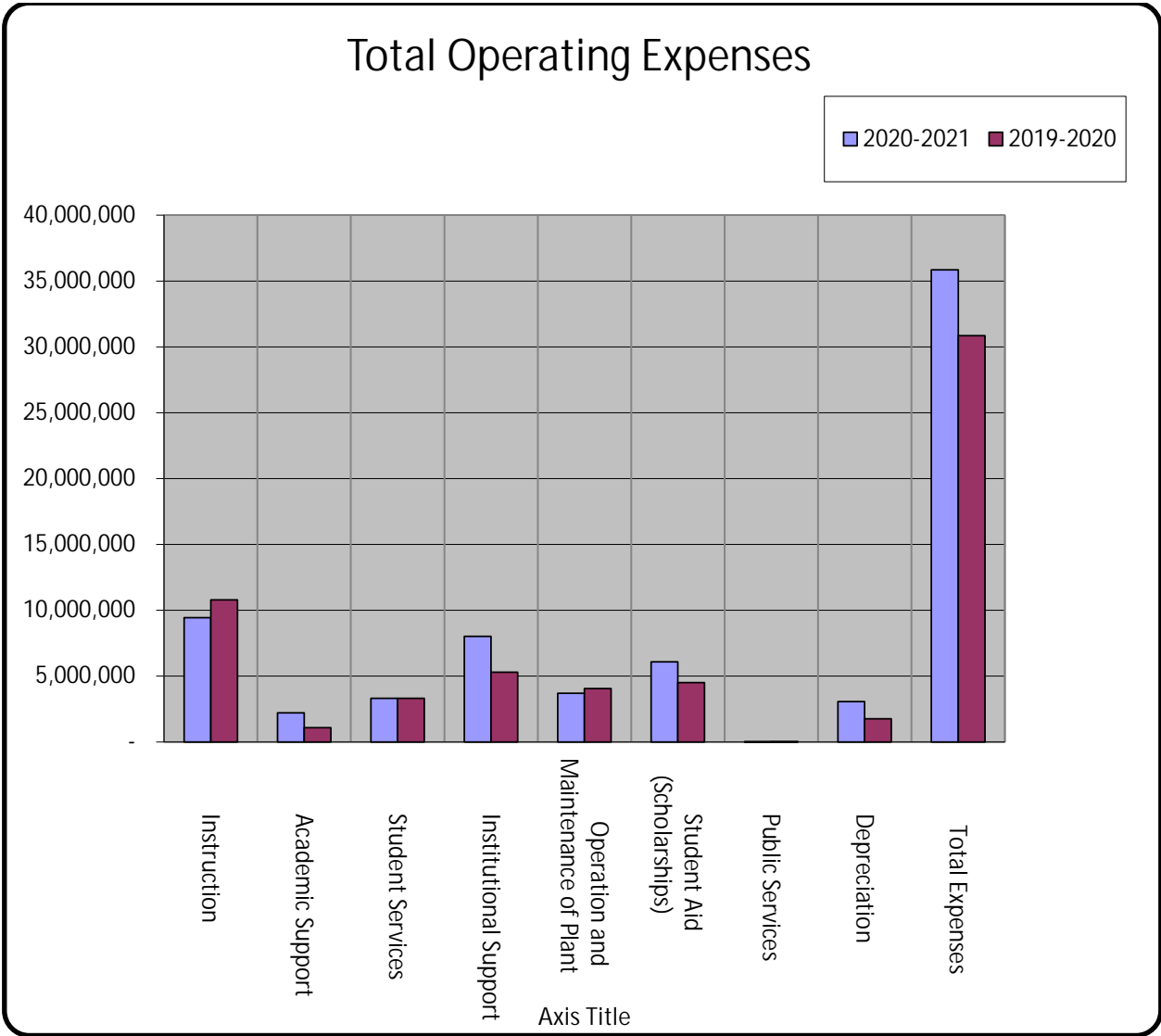


Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are presented in the charts below:



**Operating Expenses are detailed below:**

	2020-2021	2019-2020
Instruction	\$ 9,433,712	\$10,780,309
Academic Support	2,217,587	1,086,274
Student Services	3,323,601	3,316,661
Institutional Support	8,010,781	5,287,327
Operation and Maintenance of Plant	3,703,401	4,063,704
Student Aid (Scholarships)	6,082,445	4,506,825
Public Service	10,329	33,424
Depreciation	3,069,010	1,773,920
	<b>\$35,850,866</b>	<b>\$30,848,444</b>



The above charts display operating revenues by type and their relationships with one another, and operating expenses by function and their relationships with one another.

## *Statement of Cash Flows*

The Statement of Cash Flows presents detailed information about the cash activity of the College during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the College. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchase, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

The Net Change in Cash was an increase of \$2,256,701 which was a reimbursement of expenditures related to construction in progress from 2019 Bond Funds and HEERF and ARP federal funds.

### **Cash Flows for the year September 30, 2021**

<b>Cash provided (used) by:</b>	<b>2020-2021</b>
Operating Activities	\$(26,952,878)
Non-Capital Financial Activities	31,250,599
Capital and Related Financing Activities	(2,089,849)
Investing Activities	48,829
Net Change in Cash	2,256,701
Cash and Cash Equivalents, Beginning of year	14,629,897
Cash and Cash Equivalents, End of year	<u><u>\$ 16,886,598</u></u>

## *Economic Outlook*

The Alabama Community College System Board of Trustees approved two major construction projects for the College in February 2019. These projects will allow the College to offer state-of-the-art instruction in Health Sciences and in Manufacturing Skills. Nearly 13 percent of Mobile's workforce is employed in the healthcare sector. Area hospitals include general facilities, a children's and women's hospital, a private mental health hospital and a rehabilitation hospital. Mobile is also home to a cancer research center. The new Health Science Facility will be located where the current Main Campus library is consisting of approximately 27,000 square feet of renovated space. The College is also building a world-class Advanced Manufacturing Center that will allow the College to help train a workforce to meet the needs of businesses and industry in this region. The College will offer programs supported and even created by area companies using state-of-the-art, industry-approved equipment. Students, incumbent workers, and career-change candidates will be equipped with the knowledge and technical skills needed to become successfully employed in Mobile's high wage, high-demand, and high-tech economy. The Advanced Manufacturing Center consists of new construction of approximately 45,000 square feet and renovation of the adjacent Administration Building.

The College is prepared to meet the needs of the high wage and high demand jobs in this region for many years to come. This has made the economic outlook of the College very good.

The College has been able to remain steady and increase with major construction project ongoing. The Cares and HEERF funds assisted in stabilizing the College through the effects of the pandemic. Bishop is poised to offer state of the art programs as facilities finish up and students get back to normal routines.

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# *Basic Financial Statements*

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***Statement of Net Position***  
***September 30, 2021***

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**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 16,886,598.13
Deposit with Trustee	2,045,508.49
Accounts Receivable, Net	11,834,220.08
Inventories	49,611.56
Prepaid Expenses	2,445.95
Total Current Assets	<u>30,818,384.21</u>

**Noncurrent Assets**

Investments	307,413.56
Prepaid Expenses	65,225.30
Capital Assets:	
Land	1,597,089.64
Improvements Other Than Buildings	4,141,160.38
Construction in Progress	18,768,570.44
Buildings	39,090,227.66
Building Alterations	10,048,147.89
Equipment and Furniture	9,971,313.86
Art Collections	3,700.00
Library Holdings	2,513,003.03
Less: Accumulated Depreciation	<u>(40,463,341.95)</u>
Total Capital Assets, Net of Depreciation	<u>45,669,870.95</u>
Total Noncurrent Assets	<u>46,042,509.81</u>
Total Assets	<u>76,860,894.02</u>

**Deferred Outflow of Resources**

Pension	5,368,996.99
Other Postemployment Benefits (OPEB)	3,582,067.32
Total Deferred Outflow of Resources	<u>\$ 8,951,064.31</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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**LIABILITIES****Current Liabilities**

Deposit Liabilities	\$ 352,104.89
Accounts Payable	1,518,745.61
Bond Surety Fee Payable	8,743.60
Unearned Revenue	4,253,985.50
Bonds Payable	583,979.00
Compensated Absences	170,460.25
Total Current Liabilities	<u>6,888,018.85</u>

**Noncurrent Liabilities**

Bonds Payable	20,322,104.30
Compensated Absences	832,247.10
Net Pension Liability	22,308,000.00
Net Other Postemployment Benefits Liability	8,884,490.00
Total Noncurrent Liabilities	<u>52,346,841.40</u>

Total Liabilities	<u>59,234,860.25</u>
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**Deferred Inflow of Resources**

Pension	2,537,000.00
Other Postemployment Benefits (OPEB)	7,350,082.00
Total Deferred Inflow of Resources	<u>9,887,082.00</u>

**NET POSITION**

Net Investment in Capital Assets	26,809,296.14
Restricted:	
Nonexpendable:	
Other	151,880.33
Expendable:	
Capital Projects	3,432,618.56
Unrestricted	<u>(13,703,778.95)</u>
Total Net Position	<u>\$ 16,690,016.08</u>

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***Statement of Revenues, Expenses and Changes in Net Position***  
***For the Year Ended September 30, 2021***

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**OPERATING REVENUES**

Student Tuition and Fees (Net of Scholarship Allowances of \$5,105,156.62)	\$ 3,588,338.67
Federal Grants and Contracts	5,833,521.25
State and Local Grants and Contracts	1,677,514.68
Sales and Services of Educational Departments	84,700.00
Auxiliary Enterprises:	
Bookstore	71,206.59
Other Operating Revenues	369,371.63
Total Operating Revenues	<u>11,624,652.82</u>

**OPERATING EXPENSES**

Instruction	9,433,711.98
Institutional Support	8,010,781.22
Public Service	10,329.08
Academic Support	2,217,586.47
Student Services	3,323,601.25
Operation and Maintenance	3,703,401.28
Scholarships and Financial Aid	6,082,444.93
Depreciation	3,069,010.16
Total Operating Expenses	<u>35,850,866.37</u>
Operating Income (Loss)	<u>(24,226,213.55)</u>

**NONOPERATING REVENUES (EXPENSES)**

State and Local Appropriations	15,199,536.66
Federal Grants	16,073,203.66
Investment Income	48,829.11
Interest on Capital Asset Related Debt	(459,481.25)
Bond Surety Fee Expense	(39,927.30)
Other Nonoperating Revenues (Expenses)	(76,838.24)
Net Nonoperating Revenues	<u>30,745,322.64</u>
Changes in Net Position	6,519,109.09
Total Net Position - Beginning of Year, as Restated (Note 12)	10,170,906.99
Total Net Position - End of Year	<u>\$ 16,690,016.08</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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***Statement of Cash Flows***  
***For the Year Ended September 30, 2021***

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 5,171,482.82
Federal Grants and Contracts	2,348,930.49
Nongovernmental Grants and Contracts	33,389.98
Payments to Suppliers	(10,135,579.55)
Payments for Utilities	(1,352,598.57)
Payments to Employees	(13,335,906.34)
Payments for Benefits	(4,144,358.98)
Payments for Scholarships	(6,082,444.93)
Auxiliary Enterprises:	
Bookstore	71,206.59
Sales and Services of Educational Activities	84,700.00
Other Receipts (Payments)	388,301.03
Net Cash Provided (Used) by Operating Activities	<u>(26,952,877.46)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State and Local Appropriations	15,199,536.66
Federal Grants	16,073,203.66
Bond Surety Fee Expense	(54,323.70)
Other	32,182.15
Net Cash Provided (Used) by Noncapital Financing Activities	<u>31,250,598.77</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Deposits with Fiscal Agent	17,479,105.86
Purchases of Capital Assets	(18,414,216.46)
Principal Paid on Capital Debt	(452,000.00)
Interest Paid on Capital Debt	(459,481.25)
Other	(243,257.30)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,089,849.15)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	48,829.11
Net Cash Provided (Used) by Investing Activities	<u>48,829.11</u>

Net Increase (Decrease) in Cash and Cash Equivalents	2,256,701.27
Cash and Cash Equivalents - Beginning of Year	14,629,896.86
Cash and Cash Equivalents - End of Year	<u>\$ 16,886,598.13</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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**Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:**

Operating Income (Loss) \$ (24,226,213.55)

**Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:**

Depreciation Expense	3,069,010.16
Changes in Assets and Liabilities:	
(Increase)/Decrease in Receivables	(5,291,330.60)
(Increase)/Decrease in Deferred Outflows	(3,639,499.18)
Increase/(Decrease) in Accounts Payable	(1,200,627.03)
Increase/(Decrease) in Compensated Absences	137,042.05
Increase/(Decrease) in Unearned Revenue	1,772,631.69
Increase/(Decrease) in Deferred Inflows	(749,979.00)
Increase/(Decrease) in Deposit Liabilities	(7,943.00)
Increase/(Decrease) in Pension Liability	455,000.00
Increase/(Decrease) in OPEB Liability	2,729,031.00

Net Cash Provided (Used) by Operating Activities \$ (26,952,877.46)

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2021***

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#### **Note 1 – Summary of Significant Accounting Policies**

The financial statements of Bishop State Community College (the “College”) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the College are described below.

#### **A. Reporting Entity**

The College is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement Number 14, “The Financial Reporting Entity,” states that a primary government is financially accountable for a component unit if it appoints a voting majority of an organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama which through the Alabama Community College System Board of Trustees governs the Alabama Community College System. The Alabama Community College System through its Chancellor has the authority and responsibility for the operation, management, supervision and regulation of the College. In addition, the College receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the College is considered for financial reporting purposes to be a component unit of the State of Alabama.

#### **B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

It is the policy of the College to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted net resources are available.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and nonoperating revenues. Operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the College. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the College’s principal activities, such as investment income and from all nonexchange transactions, such as state appropriations.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2021***

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#### **C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position**

##### **1. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the College to invest in the same type of instruments as allowed by Alabama law for domestic life insurance companies. This includes a wide range of investments, such as direct obligations of the United States of America, obligations issued or guaranteed by certain federal agencies, and bonds of any state, county, city, town, village, municipality, district or other political subdivision of any state or any instrumentality or board thereof or of the United States of America that meet specified criteria.

Investments are reported at fair value, based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost.

##### **2. Receivables**

Accounts receivable relate to amounts due from federal and state grants, state appropriations, third party tuition, and bookstore sales. The receivables are shown net of allowance for doubtful accounts.

##### **3. Inventories**

The inventories are comprised of consumable supplies. Inventories are valued at cost. All inventories are valued using the first in/first out (FIFO) method.

##### **4. Capital Assets**

Capital assets, other than intangibles, with a unit cost of over \$5,000 and an estimated useful life in excess of one year, and all library books, are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for intangible assets such as capitalized software and internally generated computer software is \$1 million and \$100,000 for easements and land use rights and patents, trademarks and copyrights. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at acquisition value (an entry price). Land, Construction in Progress and intangible assets with indefinite lives are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2021***

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Major outlays for capital assets and improvements are capitalized as projects are constructed.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon the sale or retirement of fixed assets being depreciated using the straight-line method, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operation.

The method of depreciation and useful lives of the capital assets are as follows:

Assets	Depreciation Method	Useful Lives
Buildings	Straight-Line	50 years
Building Alterations	Straight-Line	25 years
Improvements Other Than Buildings	Straight-Line	25 years
Equipment	Straight-Line	5 – 10 years
Library Materials	Composite	20 years
Capitalized Software	Straight-Line	10 years
Internally Generated Computer Software	Straight-Line	10 years
Easement and Land Use Rights	Straight-Line	20 years
Patents, Trademarks, and Copyrights	Straight-Line	20 years
Capitalized Collections	Straight-Line	20 years

#### **5. Deferred Outflows of Resources**

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

#### **6. Long-Term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2021***

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#### **7. Compensated Absences**

No liability is recorded for sick leave. Substantially all employees of the College earn 12 days of sick leave each year with unlimited accumulation. Payment is not made to employees for unpaid sick leave at termination or retirement.

All non-instructional employees earn annual leave at a rate which varies from 12 to 24 days per year depending on duration of employment, with accumulation limited to 60 days. Instructional employees do not earn annual leave. Payment is made to employees for unused leave at termination or retirement.

#### **8. Deferred Inflows of Resources**

Deferred inflows of resources are reported in the Statement of Net Position. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

#### **9. Unearned Tuition and Fee Revenue**

Tuition and fee revenues received for Fall Term but related to the portion of the term that occurs in the subsequent fiscal year have been disclosed as unearned revenues.

#### **10. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Teachers' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **11. Postemployment Benefits Other Than Pensions (OPEB)**

The Alabama Retired Education Employees' Health Care Trust (the "Trust") financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date the financial statements were issued.

#### **12. Net Position**

Net position is required to be classified for accounting and reporting purposes into the following categories:

- ◆ **Net Investment in Capital Assets** – Capital assets, including restricted capital assets, reduced by accumulated depreciation and by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Any significant unspent related debt proceeds or inflows of resources at year-end related to capital assets are not included in this calculation.
- ◆ **Restricted:**
  - ✓ **Nonexpendable** – Net position subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the College's permanent endowment funds.
  - ✓ **Expendable** – Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. These include funds held in federal loan programs.
- ◆ **Unrestricted** – Net position which is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted resources may be designated for specific purposes by action of management or the Alabama Community College System Board of Trustees.



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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2021***

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#### **13. Federal Financial Assistance Programs**

The College participates in various federal programs. Federal programs are audited in accordance with Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (*Uniform Guidance*).

#### **14. Scholarship Allowances and Student Aid**

Student tuition and fees are reported net of scholarship allowances and discounts. The amount for scholarship allowances and discounts is the difference between the stated charge for goods and services provided by the College and the amount that is paid by the student and/or third parties making payments on behalf of the student. The College uses the alternate method as prescribed by the National Association of College and University Business Officers (NACUBO) in their Advisory Report 2000-05 to determine the amount of scholarship allowances and discounts.

#### **15. Change in Accounting Estimates**

Beginning October 1, 2020, the accounting estimated useful lives for Equipment and Building Alterations have been updated. The change in accounting estimates include the move from the composite method to straight-line depreciation for Equipment and Improvements Other Than Buildings. Additionally, there is an addition of a Building Alteration assets class.

Several factors lead to the accounting estimated changes. The composite method is an antiquated calculation standard developed before software had the capability of individually tracking capital assets. (The composite method will be retained for library books, as there is not a reasonable alternative method for these purchases and most of the colleges are purchasing library books at a non-material rate.) The accounting software utilized by the Alabama Community College System calculates depreciation on a straight-line basis.

The establishment of a Building Alterations Asset Class is necessary to separately account for the building alterations, so that records of renovations and improvements can be identified and calculated by project, with a 25-year estimate of the life for qualifying projects.

The change in estimate resulted in an increase to depreciation and a decrease to Net Investment in Plant in the amount of \$899,287.27.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **Note 2 – Deposits and Investments**

##### **A. Deposits**

The College's deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the ***Code of Alabama 1975***, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

The Statement of Net Position classification "cash" includes all readily available cash such as petty cash and demand deposits.

##### **B. Investments**

The College may invest its funds in securities and investments authorized by the ***Code of Alabama 1975***, Section 16-13-2, Sections 27-1-8 and 27-1-9, and Sections 27-41-1 through 27-41-41. These laws provide that the College may invest in the same type of instruments as allowed by Alabama law for domestic life insurance companies. This includes a wide range of investments, such as direct obligations of the United States of America, obligations issued or guaranteed by certain federal agencies, and bonds of any state, county, city, town, village, municipality, district or other political subdivision of any state or any instrumentality or board thereof of the United States of America that meet specified criteria. The College's investment policy permits investments in the following: 1) U. S. Treasury bills, notes, bonds, and stripped Treasuries 2) U. S. Agency notes, bonds, debentures, discount notes and certificates, 3) certificates of deposit (CDs), checking and money market accounts of savings and loan associations, mutual savings banks, or commercial banks whose accounts are insured by FDIC/FSLIC, and who are designated a Qualified Public Depository (QPD) under the SAFE Program; 4) mortgage backed securities (MBSs), 5) mortgage-related securities including collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMIC) securities, 6) repurchase agreements, and 7) stocks and bonds which have been donated to the institution.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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The College's portfolio shall consist primarily of bank CDs and interest-bearing accounts, U. S. Treasury securities, debentures of a U. S. Government Sponsored Entity (GSE) and securities backed by collateral issued by GSEs. In order to diversify the portfolio's exposure to concentration risk, the portfolio's maximum allocation to specific product sectors is as follows: 1) U.S. Treasury bills, notes and bonds can be held without limitation as to amount. Stripped Treasuries shall never exceed 50 percent of the institution's total investment portfolio. Maximum maturity of these securities shall be ten years. 2) U. S. Agency securities shall have limitations of 50 percent of the College's total investment portfolio for each Agency, with two exceptions: TVA and SLMA shall be limited to ten percent of total investments. Maximum maturity of these securities shall be ten years. 3) CDs with savings and loan associations, mutual savings banks, or commercial banks may be held without limit provided the depository is a QPD under the SAFE Program. CD maturity shall not exceed five years. 4) The aggregate total of all MBSs may not exceed 50 percent of the institution's total investment portfolio. The aggregate average life maturity for all holdings of MBS shall not exceed seven years, while the maximum average life maturity of any one security shall not exceed ten years. 5) The total portfolio of mortgage related securities shall not exceed 50 percent of the institution's total investment portfolio. The aggregate average life maturity for all holdings shall not exceed seven years while the average life maturity of one security shall not exceed ten years. 6) The College may enter into a repurchase agreement so long as: (a) the repurchase securities are legal investments under state law for colleges; (b) the College receives a daily assessment of the market value of the repurchase securities, including accrued interest, and maintains an adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and (c) the College has entered into signed contracts with all approved counterparties. 7) The College has discretion to determine if it should hold or sell other investments that it may receive as a donation.

The College shall not invest in stripped mortgage backed securities, residual interest in CMOs, mortgage servicing rights or commercial mortgage related securities.

Investment of debt proceeds and deposits with trustees is governed by the provisions of the debt agreement. Funds may be invested in any legally permissible document.

Endowment donations shall be invested in accordance with the procedures and policies developed by the College and approved by the Chancellor in accordance with the "*Alabama Uniform Prudent Management of Institutional Funds Act*", ***Code of Alabama 1975***, Section 19-3C-1 and following.

As of September 30, 2021, the College had the following investments and maturities:

Certificates of Deposit totaling \$179,921.88 are included in the amounts reported as Investments on the Statement of Net Position. These accounts are covered under the SAFE program and not subject to risk categorization or disclosure.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2021***

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#### Investment in Equity Securities:

Investment Type	Fair Value	Maturity
Stocks	\$127,491.68	No Maturity
Total	<u>\$127,491.68</u>	

#### **Bond funds on Deposit with Fiscal Agent**

At September 30, 2021, the College had \$2,045,508.49 in accounts administered by its paying agent for the 2019 Series Bonds. In accordance with the Bond Resolution the paying agent is permitted to invest these funds in the direct general obligations of the United States or any securities the payment of which is unconditionally guaranteed by the United States. All instruments purchased are deemed money market instruments as defined in Rule 2a7 and priced at amortized costs.

2019 Bond Series are held by the paying agent are invested in Short-Term Investments. The funds consists of Money Market funds and U. S. Treasury Securities and the funds are rated AA by Standard & Poor's.

To the extent available, the College's investments are recorded at fair value as of September 30, 2021. GASB Statement Number 72 – ***Fair Value Measurement and Application***, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 – Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.

Level 2 – Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset either directly or indirectly.

Level 3 – Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgement.

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Investments by Fair Value Level	At 09/30/2021	Level 1	Level 2	Level 3
<u>Equity Securities:</u>				
Domestic Common and Preferred Stock	\$ 127,491.68	\$127,491.68	\$	\$
Total Equity Securities	127,491.68	\$127,491.68	\$	\$
Certificates of Deposit	179,921.88			
U. S. Treasury Securities	2,045,508.49			
Total	<u>\$2,352,922.05</u>			

### **Note 3 – Receivables**

Receivables are reported net of uncollectible amounts and are summarized as follows:

<u>Accounts Receivable:</u>	
Federal	\$ 8,793,683.90
State	811,294.88
Other	234,398.41
Tuition and Fees	8,511,085.22
Less: Allowance for Doubtful Accounts	<u>(6,516,242.33)</u>
Total Accounts Receivables, Net	<u>\$11,834,220.08</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **Note 4 – Capital Assets**

Capital asset activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Adjustments	Ending Balance
Land	\$ 1,597,089.64	\$	\$	\$ 1,597,089.64
Improvements Other Than Buildings	4,141,160.38			4,141,160.38
Buildings	49,346,428.70		(10,256,201.04)	39,090,227.66
Building Alterations			10,048,147.89	10,048,147.89
Construction in Progress	3,153,532.71	15,615,037.73		18,768,570.44
Equipment Greater Than \$25,000	3,900,262.30	2,552,209.13		6,452,471.43
Equipment Less Than \$25,000	3,087,869.49	430,972.94		3,518,842.43
Library Holdings	2,513,003.03			2,513,003.03
Art Collections	3,700.00			3,700.00
Total	67,743,046.25	18,598,219.80	(208,053.15)	86,133,212.90
Less: Accumulated Depreciation				
Improvements Other Than Buildings	2,048,394.85	132,191.16		2,180,586.01
Buildings and Alterations	28,426,672.58	1,135,582.90	834,531.10	30,396,786.58
Equipment Greater Than \$25,000	2,414,088.97	554,303.06		2,968,392.03
Equipment Less Than \$25,000	2,577,859.21	283,844.66		2,861,703.87
Library Holdings	1,992,072.35	63,801.11		2,055,873.46
Total Accumulated Depreciation	37,459,087.96	2,169,722.89	834,531.10	40,463,341.95
Capital Assets, Net	\$30,283,958.29	\$16,428,496.91	\$ (1,042,584.25)	\$45,669,870.95

#### **Note 5 – Defined Benefit Pension Plan**

##### **A. Plan Description**

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2021***

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#### **B. Benefits Provided**

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members are eligible for retirement after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

#### **C. Contributions**

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS were required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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Participating employers' contractually required contribution rate for the year ended September 30, 2021, was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the College were \$1,521,996.99 for the year ended September 30, 2021.

#### **D. Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2021, the College reported a liability of \$22,308,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2019. The College's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2020, the College's proportion was 0.180348%, which was a decrease of 0.017289% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the College recognized pension expense of \$1,247,589.00. At September 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Dollar amounts in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,104	\$ 387
Changes of assumptions	232	
Net difference between projected and actual earnings on pension plan investments	1,657	
Changes in proportion and differences between employer contributions and proportionate share of contributions	854	2,150
Employer contributions subsequent to the measurement date	1,522	
Total	<u>\$5,369</u>	<u>\$2,537</u>



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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The \$1,522,000.00 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2022	\$(140)
2023	\$ 689
2024	\$ 689
2025	\$ 72
2026	\$ 0
Thereafter	\$ 0
(Dollar Amounts in Thousands)	

#### **E. Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment Rate of Return (*)	7.70%
Projected Salary Increases	3.25% - 5.00%
(*) Net of pension plan investment expense	

The actuarial assumptions used in the September 30, 2019, valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015.

Mortality rates were based on the sex distinct RP-2000 White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for males and 112% for females age 78 and older. The rates of disabled mortality were based on the RP-2000 Disabled Retiree Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	<u>100.00%</u>	
(*) Includes assumed rate of inflation of 2.50%.		

#### **F. Discount Rate**

The discount rate used to measure the total pension liability was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **G. Sensitivity of the College's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate**

The following table presents the College's proportionate share of the collective net pension liability calculated using the discount rate of 7.70%, as well as what the College's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
College's proportionate share of collective net pension liability	\$29,764	\$22,308	\$16,000
(Dollar Amounts in Thousands)			

#### **H. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2020. The auditor's report dated April 23, 2021, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2020, along with supporting schedules is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **Note 6 – Other Postemployment Benefits (OPEB)**

##### **A. Plan Description**

The Alabama Retired Education Employees' Health Care Trust (the "Trust") is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (PEEHIB) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in the Public Education Employees' Health Insurance Plan (PEEHIP). Active and retiree health insurance benefits are paid through PEEHIP. In accordance with GASB, the Trust is considered a component unit of the State of Alabama (the "State") and is included in the State's Annual Comprehensive Financial Report.

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975*, Section 16-25A-4, (Act Number 83-455, Acts of Alabama) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the PEEHIB. The PEEHIB is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975*, Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

##### **B. Benefits Provided**

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of \$1,250 per year for individual coverage and \$1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eyeglasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2020, Humana Insurance Company replaced United Healthcare as the administrator of the PEEHIP Group Medicare Advantage (PPO) Plan. The plan is fully insured, and members are able to have all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. Retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Members have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### C. Contributions

The *Code of Alabama 1975*, Section 16-25A-8, and the *Code of Alabama 1975*, Section 16-25A-8.1, provide the PEEHIB with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the PEEHIB is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% for each year of service over 25 subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the PEEHIB. This reduction in the employer contribution ceases upon notification to the PEEHIB of the attainment of Medicare coverage.

#### D. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2021, the College reported a liability of \$8,884,490.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019. The College's proportion of the collective net OPEB liability was based on a projection of the College's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2020, the College's proportion was 0.136898%, which was a decrease of 0.026257% from its proportion measured as of September 30, 2019.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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For the year ended September 30, 2021, the College recognized OPEB expense of \$(777,752.00) with no special funding situations. At September 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 225,304	\$3,194,187
Changes of assumptions	3,103,283	1,649,768
Net difference between projected and actual earnings on OPEB plan investments		375
Changes in proportion and differences between employer contributions and proportionate share of contributions	34,857	2,505,752
Employer contributions subsequent to the measurement date	223,698	
Total	<u>\$3,587,142</u>	<u>\$7,350,082</u>

The \$223,698.00 reported as deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending:	
September 30, 2022	\$(1,236,106)
2023	\$(1,222,572)
2024	\$ (849,804)
2025	\$ (842,687)
2026	\$ 40,713
Thereafter	\$ 123,818

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### *E. Actuarial Assumptions*

The total OPEB liability was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.25%
Municipal Bond Index Rate at the Measurement Date	2.25%
Municipal Bond Index Rate at the Prior Measurement Date	3.00%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2040
Single Equivalent Interest Rate at the Measurement Date	3.05%
Single Equivalent Interest Rate at the Prior Measurement Date	5.50%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75% in 2027
Medicare Eligible	4.75% in 2024

(1) Includes 3.00% wage inflation.  
(2) Compounded annually, net of investment expense, and includes inflation.  
(\*\*) Initial Medicare claims are set based on scheduled increases through plan year 2022.

Mortality rates for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the actuarial valuation as of September 30, 2019.



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

Asset Class	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	30.00%	4.40%
U. S. Large Stocks	38.00%	8.00%
U. S. Mid Stocks	8.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	<u>100.00%</u>	
(*) Geometric mean, includes 2.5% inflation		

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **F. Discount Rate**

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2020, was 3.05%. The discount rate used to measure the total OPEB liability at the prior measurement date was 5.50%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 14.802% of the employer contributions were used to assist in funding retiree benefit payments in 2020, and it is assumed that the amount will increase by 1.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2118. The long-term rate of return is used until the assets are expected to be depleted in 2040, after which the municipal bond rate is used.

#### **G. Sensitivity of the College's Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following table presents the College's proportionate share of the collective net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75% Decreasing to 3.75% for Pre-Medicare and Known Decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (6.75% Decreasing to 4.75% for Pre-Medicare and Known Decreasing to 4.75% for Medicare Eligible)	1% Increase (7.75% Decreasing to 5.75% for Pre-Medicare and Known Decreasing to 5.75% for Medicare Eligible)
College's proportionate share of collective net OPEB liability	\$7,023,218	\$8,884,490	\$11,307,233

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **H. Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following table presents the College's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 3.05%, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (2.05%)	Current Discount Rate (3.05%)	1% Increase (4.05%)
College's proportionate share of the collective net OPEB liability	\$10,897,287	\$8,884,490	\$7,285,892

#### **I. OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2020. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

#### **Note 7 – Construction and Other Significant Commitments**

As of September 30, 2021, Bishop State Community College had been awarded approximately \$58,105,211.00 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

The College is in the process of completing the construction on a new Advanced Manufacturing Center and Health Sciences Center on the Main campus. Total amounts remaining to complete these projects are \$4,773,955.56.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **Note 8 – Accounts Payable**

Accounts payable represent amounts due at September 30, 2021, for goods and services received prior to the end of the fiscal year.

Vendors and Suppliers	\$1,518,745.61
Total	<u>\$1,518,745.61</u>

#### **Note 9 – Long-Term Liabilities**

Long-term liabilities activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b><u>Bonds Payable:</u></b>					
Publicly Sold	\$18,670,000.00	\$	\$	\$18,670,000.00	\$
Direct Placement	1,379,000.00		452,000.00	927,000.00	457,000.00
Bond Premium	1,436,062.30		126,979.00	1,309,083.30	126,979.00
Total Bonds	<u>21,485,062.30</u>		<u>578,979.00</u>	<u>20,906,083.30</u>	<u>583,979.00</u>
<b><u>Other Liabilities:</u></b>					
Compensated Absences	865,665.30	137,042.05		1,002,707.35	170,460.25
Total Long-Term Liabilities	<u>\$22,350,727.60</u>	<u>\$137,042.05</u>	<u>\$578,979.00</u>	<u>\$21,908,790.65</u>	<u>\$754,439.25</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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Principal and interest maturity requirements on bond debt are as follows:

Fiscal Years	Publicly Sold Bonds		Direct Placement Bonds		Total
	Principal	Interest	Principal	Interest	
2021-2022	\$	\$ 773,800.00	\$457,000.00	\$14,039.85	\$ 1,244,839.85
2022-2023		773,800.00	470,000.00	4,723.50	1,248,523.50
2023-2024	395,000.00	763,925.00			1,158,925.00
2024-2025	415,000.00	743,675.00			1,158,675.00
2025-2026	435,000.00	722,425.00			1,157,425.00
2026-2027	460,000.00	700,050.00			1,160,050.00
2027-2028	485,000.00	676,425.00			1,161,425.00
2028-2029	510,000.00	651,550.00			1,161,550.00
2029-2030	530,000.00	628,200.00			1,158,200.00
2030-2031	555,000.00	606,500.00			1,161,500.00
2031-2032	575,000.00	583,900.00			1,158,900.00
2032-2033	600,000.00	560,400.00			1,160,400.00
2033-2034	625,000.00	535,900.00			1,160,900.00
2034-2035	650,000.00	510,400.00			1,160,400.00
2035-2036	675,000.00	483,900.00			1,158,900.00
2036-2037	705,000.00	456,300.00			1,161,300.00
2037-2038	730,000.00	427,600.00			1,157,600.00
2038-2039	760,000.00	397,800.00			1,157,800.00
2039-2040	795,000.00	366,700.00			1,161,700.00
2040-2041	825,000.00	334,300.00			1,159,300.00
2041-2042	860,000.00	300,600.00			1,160,600.00
2042-2043	895,000.00	265,500.00			1,160,500.00
2043-2044	930,000.00	229,000.00			1,159,000.00
2044-2045	970,000.00	191,000.00			1,161,000.00
2045-2046	1,010,000.00	151,400.00			1,161,400.00
2046-2047	1,050,000.00	110,200.00			1,160,200.00
2047-2048	1,095,000.00	67,300.00			1,162,300.00
2048-2049	1,135,000.00	22,700.00			1,157,700.00
Totals	\$18,670,000.00	\$13,035,250.00	\$927,000.00	\$18,763.35	\$32,651,013.35

### **Bond Premium**

The College has a bond premium in connection with the issuance of its 2019 Series Tuition Revenue Bonds. The bond premium is being amortized using the straight-line method over the life of the bonds.

Premium	
Total Premium	\$1,605,367.30
Amount Amortized Prior Years	(169,305.00)
Balance Premium	1,436,062.30
Current Amount Amortized	(126,979.00)
Balance Premium	\$1,309,083.30

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2021***

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#### **Pledged Revenues**

##### **Pledged Revenues Bonds, Series 2019**

The College has pledged student tuition, facility renewal fee, and building fee revenues, to repay the Tuition Revenue Bonds Series 2019 issued May 2019 in the amount of \$18,670,000.00 for the purposes of providing funding to finance the construction of the new Advanced Manufacturing Center, Health Science Facility, and other miscellaneous improvements on the College's main campus in Mobile. Future revenues in the amount of \$31,705,250.00 are pledged to repay principal and interest. Pledged revenues in the amount of \$7,770,282.69 were received with \$773,800.00 or 9.96% being used to pay interest. These bonds are scheduled to mature in fiscal year 2049.

##### **Bonds, Series 2015 – Direct Placement Bonds**

The College has pledged student tuition, facility renewal fee, and building fee revenues, to repay the \$3,552,000.00 in Refunding Revenue Bond 2015 issued April 2015 for the purpose of refunding the Revenue Bonds Series 2003. Future revenues in the amount of \$945,763.35 are pledged to repay principal and interest. Pledged revenues in the amount of \$7,770,282.69 were received with \$474,796.75 or 6.11% being used to pay principal and interest. These bonds are scheduled to mature in fiscal year 2023.

The College's outstanding 2015 bonds from direct placement related to governmental activities contain a provision that in an event of default, the Bondholder shall have the right by mandamus or other lawful remedy in any court of competent jurisdiction to enforce his or their rights against the Issuer to fix and collect the Pledged Revenues, in amounts sufficient to meet the provisions of the Bond Resolution and carry out any other covenants contained in the resolution and to perform its duties under the resolution and Section 16-3-28, *Code of Alabama 1975*, as amended.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **Note 10 – Risk Management**

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama, Department of Finance; Division of Risk Management which operates as a common risk management and insurance program for state owned properties. The College pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to \$2 million per occurrence and is self-insured up to a maximum of \$6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed \$6 million. The College purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the College has fidelity bonds on the President, Chief Financial Officer, and Financial Aid Director as well as on all other college personnel who handle funds.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The College contributes a specified amount monthly to the PEEHIF for each employee and this amount is applied against the employee's premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the College's coverage in any of the past three fiscal years.

Claims which occur as a result of employee job-related injuries may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitations) and the funds are paid by the College.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **Note 11 – Related Parties**

Bishop State Community College Foundation, Inc., was incorporated as a non-profit corporation to promote scientific, literary, and educational purpose, the advancement of Bishop State Community College, and for the encouragement and support of its students and faculty. There were no significant transactions between the College and the Foundation during the audit period. This report contains no financial statements of Bishop State Community College Foundation, Inc.

#### **Note 12 – Net Position Restatement**

Prior period adjustments have been made as outlined below:

Beginning Net Position, September 30, 2020	\$10,130,200.68
<u>Prior Period Adjustments:</u>	
Corrections to Restricted Fund Balance	40,706.31
Total Adjustments	<u>40,706.31</u>
Net Position, October 1, 2020, as Restated	<u>\$10,170,906.99</u>



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## *Required Supplementary Information*

***Schedule of the College's Proportionate Share of the Collective Net Pension Liability***  
***For the Year Ended September 30, 2021***  
***(Dollar amounts in thousands)***

	2021	2020	2019	2018	2017	2016	2015
College's proportion of the collective net pension liability	0.180348%	0.197637%	0.189797%	0.181386%	0.205949%	0.226727%	0.235663%
College's proportionate share of the collective net pension liability	\$ 22,308	\$ 21,853	\$ 18,871	\$ 17,827	\$ 22,296	\$ 23,729	\$ 21,409
College's covered payroll during the measurement period (*)	\$ 12,831	\$ 12,644	\$ 12,295	\$ 14,116	\$ 13,738	\$ 15,094	\$ 15,713
College's proportionate share of the collective net pension liability as a percentage of its covered payroll	173.86%	172.83%	153.49%	126.29%	162.29%	157.21%	136.25%
Plan fiduciary net position as a percentage of the total collective pension liability	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

(\*) Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. For fiscal year 2021, the measurement period for covered payroll is October 1, 2019 through September 30, 2020.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the College's Contributions - Pension***  
***For the Year Ended September 30, 2021***  
***(Dollar amounts in thousands)***

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,522	\$ 1,555	\$ 1,549	\$ 1,526	\$ 1,548	\$ 1,550	\$ 1,617
Contributions in relation to the contractually required contribution	\$ 1,522	\$ 1,555	\$ 1,549	\$ 1,526	\$ 1,548	\$ 1,550	\$ 1,617
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$
College's covered payroll	\$ 12,268	\$ 12,831	\$ 12,644	\$ 12,295	\$ 14,116	\$ 13,738	\$ 15,094
Contributions as a percentage of covered payroll	12.41%	12.12%	12.25%	12.41%	10.97%	11.28%	10.71%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. For fiscal year 2021, the covered payroll is for the reporting fiscal year October 1, 2020 through September 30, 2021.

The amount of contractually required contributions is equal to the amount that would be recognized as additions from the College's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the College's fiscal year. For participants in TRS, this includes amounts paid for Accrued Liability, Normal Cost, Term Life Insurance, Pre-Retirement Death Benefit and Administrative Expenses.

***Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability***  
***Alabama Retired Education Employees' Health Care Trust***  
***For the Year Ended September 30, 2021***  
***(Dollar amounts in thousands)***

	2021	2020	2019	2018
College's proportion of the collective net OPEB liability	0.136898%	0.163155%	0.165406%	0.164590%
College's proportionate share of the collective net OPEB liability (asset) \$	8,884	\$ 6,155	\$ 13,594	\$ 12,225
College's covered-employee payroll during the measurement period (*) \$	12,075	\$ 10,960	\$ 11,310	\$ 11,804
College's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	73.57%	56.16%	120.20%	103.57%
Plan fiduciary net position as a percentage of the total collective OPEB liability	19.80%	28.14%	14.81%	15.37%

(\*) Per GASB 75, covered-employee payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan.  
The covered-employee payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e. the measurement period), which for the September 30, 2021 year is October 1, 2019 through September 30, 2020.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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***Schedule of the College's Contributions - Other Postemployment Benefits (OPEB)***  
***Alabama Retired Education Employees' Health Care Trust***  
***For the Year Ended September 30, 2021***  
***(Dollar amounts in thousands)***

	2021	2020	2019	2018
Contractually required contribution	\$ 224	\$ 266	\$ 460	\$ 409
Contributions in relation to the contractually required contribution	\$ 224	\$ 266	\$ 460	\$ 409
Contribution deficiency (excess)	\$	\$	\$	\$
College's covered-employee payroll	\$ 12,268	\$ 12,075	\$ 10,960	\$ 11,310
Contributions as a percentage of covered-employee payroll	1.83%	2.20%	4.19%	3.62%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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***Notes to Required Supplementary Information  
for Other Postemployment Benefits (OPEB)  
For the Year Ended September 30, 2021***

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**Changes in Actuarial Assumptions**

In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to more closely reflect actual experience.

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

**Recent Plan Changes**

Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan.

The Health Plan is changed each year to reflect the ACA maximum annual out-of-pocket amounts.

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***Notes to Required Supplementary Information  
for Other Postemployment Benefits (OPEB)  
For the Year Ended September 30, 2021***

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**Method and Assumptions Used in Calculations of Actuarially Determined Contributions**

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Therefore, the actuarially determined employer contribution for fiscal year ending September 30, 2020, is determined based on the actuarial valuation as of September 30, 2017. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	24 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible (*)	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2026 for Pre-Medicare Eligible 2024 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

(\*) Initial Medicare claims are set based on scheduled increases through plan year 2019.

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## *Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2021***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Pass-Through to Subrecipient</b>	<b>Total Federal Expenditures</b>
<b><u>Student Financial Assistance Cluster</u></b>				
<b><u>U. S. Department of Education</u></b>				
<b><u>Direct Programs</u></b>				
Federal Supplemental Educational Opportunity Grants	84.007			\$ 432,360.96
Federal Work-Study Program	84.033			53,020.00
Federal Pell Grant Program	84.063			6,028,384.86
Total Student Financial Assistance Cluster				<u>6,513,765.82</u>
<b><u>TRIO Cluster</u></b>				
<b><u>U. S. Department of Education</u></b>				
<b><u>Direct Program</u></b>				
TRIO - Student Support Services	84.042			151,756.59
<b><u>WIOA Cluster</u></b>				
<b><u>U. S. Department of Labor</u></b>				
<b><u>Passed Through Southwest Alabama Partnership for Training and Employment, Inc.</u></b>				
WIOA Youth Activities	17.259	14707477		91,666.60
WIOA Youth Activities	17.259	04707477		150,183.29
Total WIOA Youth Activities				<u>241,849.89</u>
<b><u>Research and Development Cluster</u></b>				
<b><u>U. S. Department of Health and Human Services</u></b>				
<b><u>Passed Through University of South Alabama</u></b>				
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094	N.A.		1,958.09
<b><u>U. S. Department of Education</u></b>				
<b><u>Direct Program</u></b>				
Higher Education - Institutional Aid	84.031			2,792,293.65
Total Research and Development Cluster				<u>\$ 2,794,251.74</u>

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2021***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Pass-Through to Subrecipient</b>	<b>Total Federal Expenditures</b>
<b><u>Other Federal Awards</u></b>				
<b><u>U. S. Department of Education</u></b>				
<b><u>Direct Program</u></b>				
Higher Education - Institutional Aid	84.031			\$ 698,990.00
<b><u>U. S. Department of Education</u></b>				
<b><u>Direct Program</u></b>				
COVID-19 HEERF Student Aid Portion	84.425E			2,923,977.95
COVID-19 HEERF Institutional Aid Portion	84.425F			783,885.65
COVID-19 HEERF Historically Black Colleges and Universities (HBCUs)	84.425J			5,903,483.96
Total COVID-19 Higher Education Emergency Relief Fund (HEERF)				<u>9,611,347.56</u>
<b><u>Passed Through Alabama Community College System</u></b>				
Adult Education - Basic Grants to States	84.002	0921AE083		594,412.12
<b><u>Passed Through Alabama State Department of Education</u></b>				
Career and Technical Education - Basic Grants to States	84.048	V048A200001		281,132.36
<b><u>U. S. Department of Labor</u></b>				
<b><u>Passed Through Alabama Community College System</u></b>				
H-1B Job Training Grants	17.268	HG-33165-BISH-01		585,747.59
<b><u>U. S. Department of Treasury</u></b>				
<b><u>Passed Through Alabama Community College System</u></b>				
COVID-19 Coronavirus Relief Fund	21.019	20GEERFBISH01		433,471.24
Total Expenditures of Federal Awards				<u>\$ 21,906,724.91</u>

N.A. = Not Available/Not Applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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## ***Notes to the Schedule of Expenditures of Federal Awards***

### ***For the Year Ended September 30, 2021***

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#### **Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Bishop State Community College, under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***. Because the Schedule presents only a selected portion of the operations of Bishop State Community College, it is not intended to and does not present the financial position, changes in net position, or cash flows of Bishop State Community College.

#### **Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **Note 3 – Indirect Cost Rate**

Bishop State Community College has elected not to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

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## *Additional Information*

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***College Officials***  
***October 1, 2020 through September 30, 2021***

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<b>Officials</b>	<b>Position</b>
Jimmy Baker	Chancellor, Alabama Community College System
Dr. Lawrence Brandyburg	Interim President Beginning July 15, 2021
Dr. Reginald Sykes	President Through July 14, 2021
Jessica Davis	Associate Director of Financial Services/Special Projects Alabama Community College System Beginning July 15, 2021
Lois Gwinn	Dean of Business/Finance Through August 31, 2021

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# ***Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

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## **Independent Auditor's Report**

Jimmy Baker, Chancellor – Alabama Community College System  
Charles Jones, Acting President – Bishop State Community College  
Mobile, Alabama 36603

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of Bishop State Community College, a component unit of the State of Alabama, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Bishop State Community College's basic financial statements and have issued our report thereon dated June 10, 2022.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bishop State Community College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bishop State Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Bishop State Community College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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## ***Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Findings 2021-003 and 2021-004 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bishop State Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***. We noted certain additional matters that we have reported to the management of Bishop State Community College in the Schedule of State Compliance and Other Findings.

### **Bishop State Community College's Response to Findings**

Bishop State Community College's response to the findings identified in our audit are described in the accompanying Auditee Response/Corrective Action Plan. Bishop State Community College's response was not subjected to auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.



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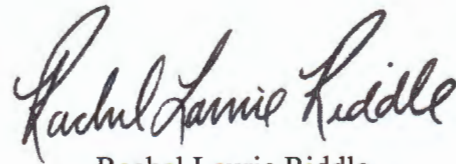
***Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With  
Government Auditing Standards***

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**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle

Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

June 10, 2022

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# ***Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance***

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## **Independent Auditor's Report**

Jimmy Baker, Chancellor – Alabama Community College System  
Charles Jones, Acting President – Bishop State Community College  
Mobile, Alabama 36603

### **Report on Compliance for Each Major Federal Program**

We have audited Bishop State Community College's, a component unit of the State of Alabama, compliance with the types of compliance requirements described in the **OMB Compliance Supplement** that could have a direct and material effect on each of Bishop State Community College's major federal programs for the year ended September 30, 2021. Bishop State Community College's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance with each of Bishop State Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. **Code of Federal Regulations** Part 200, **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards** (*Uniform Guidance*). Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bishop State Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bishop State Community College's compliance.

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# ***Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance***

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## **Basis for Qualified Opinion on Higher Education Emergency Relief Fund (HEERF)**

As described in the accompanying Schedule of Findings and Questioned Costs, Bishop State Community College did not comply with the requirements regarding Assistance Listing Number 84.425 Higher Education Emergency Relief Fund (HEERF) as described in Finding 2021-005 for Reporting. Compliance with such requirements is necessary, in our opinion, for Bishop State Community College to comply with the requirements applicable to that program.

## **Qualified Opinion on Higher Education Emergency Relief Fund (HEERF)**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Bishop State Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Higher Education Emergency Relief Fund (HEERF) for the year ended September 30, 2021.

## **Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, Bishop State Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Examiner's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2021.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *Uniform Guidance* and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2021-006. Our opinion on each major federal program is not modified with respect to this matter.

Bishop State Community College's response to the noncompliance finding identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. Bishop State Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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## ***Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance***

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### **Report on Internal Control Over Compliance**

Management of Bishop State Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bishop State Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bishop State Community College's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2021-005 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2021-006 to be a significant deficiency.

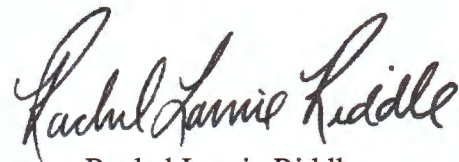
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***Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance Required  
by the Uniform Guidance***

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Bishop State Community College's response to the internal control over compliance findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. Bishop State Community College's response was not subjected to the auditing procedures applied in the audit of compliance, and, and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

June 10, 2022

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## ***Schedule of Findings and Questioned Costs***

### ***For the Year Ended September 30, 2021***

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### **Section I – Summary of Examiner's Results**

#### **Financial Statements**

Type of report the auditor issued on whether the audited financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

  X   Yes    \_\_\_\_\_ None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

#### **Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

  X   Yes    \_\_\_\_\_ No

Significant deficiency(ies) identified?

  X   Yes    \_\_\_\_\_ None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified for Student Financial Assistance Cluster and COVID-19 Coronavirus Relief Fund  
Qualified for COVID-19 Higher Education Emergency Relief Fund (HEERF)

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?

  X   Yes    \_\_\_\_\_ No

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## ***Schedule of Findings and Questioned Costs***

### ***For the Year Ended September 30, 2021***

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#### **Section I – Summary of Examiner's Results**

Identification of major federal programs:

<b>Assistance Listing Numbers</b>	<b>Name of Federal Program or Cluster</b>
	<u>Student Financial Assistance Cluster</u>
84.063	Federal Pell Grant Program
84.033	Federal Work-Study Program
84.007	Federal Supplemental Educational Opportunity Grants
	<u>COVID-19 Higher Education Emergency Relief Fund</u>
84.425E	COVID-19 HEERF Student Aid Portion
84.425F	COVID-19 HEERF Institutional Aid Portion
84.425J	COVID-19 HEERF Historically Black Colleges and Universities (HBCUs)
21.019	COVID-19 Coronavirus Relief Fund

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$750,000.00

Auditee qualified as low-risk auditee?

  X   Yes           No



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## ***Schedule of Findings and Questioned Costs***

### ***For the Year Ended September 30, 2021***

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#### **Section II – Financial Statement Findings (GAGAS)**

<b>Reference Number:</b>	2021-003
<b>Type of Finding:</b>	Internal Control
<b>Internal Control Impact:</b>	Significant Deficiency
<b>Compliance Impact:</b>	None

Bank authorizations were not updated when key officials terminated employment.

#### **Finding**

Internal control is a process affected by those charged with governance, management and other personnel that is designed to provide reasonable assurance about the achievement of the entity's objective with regard to the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. Internal controls over cash should include a periodic review of employee's access to bank accounts. Banks commonly require signature card authorizations to be completed by an authorized employee from the College. These forms indicate who is authorized to perform banking transactions. These forms should be updated timely when personnel changes occur. Periodic review of bank access helps the College to maintain accountability for cash and minimize the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected.

The College did not remove an employee's signature authorization to perform banking actions in a timely manner. Signature card authorization were reviewed, and it was determined that key officials who departed employment were still listed as authorized signers on two of the College's bank accounts. Test revealed that up through February 7, 2022, the prior President and prior Dean of Finance, whom both departed employment in July 2021, were still listed as authorized signers on one of the college's "Federal and Non-Federal funds" account. Test also revealed that up through May 17, 2022, the prior President, Dean of Finance, and a Comptroller, who departed employment in September 2020, were listed as authorized users on a "payroll clearing" account.

#### **Recommendation**

The College should ensure that all banking authorizations are updated timely when employees depart from the College.

#### **Views of Responsible Officials of the Auditee**

Bishop State Community College agrees to Finding 2021-003.

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## ***Schedule of Findings and Questioned Costs***

### ***For the Year Ended September 30, 2021***

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#### **Section II – Financial Statement Findings (GAGAS)**

<b>Reference Number:</b>	2021-004
<b>Type of Finding:</b>	Internal Control
<b>Internal Control Impact:</b>	Significant Deficiency
<b>Compliance Impact:</b>	None

The College failed to post salary accruals for instructors' salaries at year-end.

#### **Finding**

Paragraph 1600.103 of the Codification of *Governmental Accounting and Reporting Standards* states, "The statement of net assets and the statement of activities should be prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and nonexchange transactions should be recognized when the exchange takes place." Paragraph 1600.102 states that under the accrual basis of accounting, most transaction are recognized when they are occur, regardless of when cash is received or disbursed.

At fiscal year end the College had instructors who earned salary and benefits that would not be paid until the next fiscal year. Accrual accounting requires the amounts owed to these employees be calculated and reported on the financial statements. Due to a lack of properly implemented internal controls, the College calculated an amount for salary and wages payable but failed to post the calculation to the general ledger and report the amount on the financial statements. The College's failure to recognize and record the expenses and liabilities resulted in errors in the financial statements.

#### **Recommendation**

The College should implement internal controls to ensure year-end accruals are properly posted to the general ledger and reported on the financial statements.

#### **Views of Responsible Officials of the Auditee**

Bishop State Community College agrees to Finding 2021-004.

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## *Schedule of Findings and Questioned Costs*

### *For the Year Ended September 30, 2021*

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### **Section III – Federal Awards Findings and Questioned Costs**

<b>Reference Number</b>	2021-005
<b>Compliance Requirement:</b>	Reporting
<b>Type of Finding:</b>	Internal Control/Compliance
<b>Internal Control Impact:</b>	Material Weakness
<b>Compliance Impact:</b>	Material Noncompliance
<b>Assistance Listing</b>	
<b>Number(s) and Title:</b>	84.425 – Higher Education Emergency Relief Fund (HEERF)
<b>Federal Awarding Agency:</b>	U. S. Department of Education
<b>Federal Award Numbers:</b>	P425E200753, P425F204354, P425J200100
<b>Pass-Through Entity:</b>	None
<b>Pass-Through Award Number:</b>	None
<b>Questioned Costs:</b>	None

The College failed to submit all of the required quarterly reports due for COVID-19 HEERF reporting.

#### **Finding**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan (ARP) established and funded the Higher Education Emergency Relief Fund (HEERF).

The reporting requirements for HEERF funding include a Quarterly Budget and Expenditure Report (QBER). Expenditures of awards funded by HEERF I, II, III Sections 18004(a)(1) Institutional Portion, 18004(a)(2), and 18004(a)(3) should be reported using the QBER form developed by the grantor. The form is required to be posted on the institution's primary website. In addition, the HEERF Student Aid Portion public reporting requirements require quarterly reports containing data elements to be publicly posted.

The College was awarded an Institutional Portion grant under 18004(a)(1) and a Historically Black Colleges and Universities (HBCU) grant under 18004(a)(2). Each of the College's quarterly reports during the fiscal year were selected for review. Due to a lack of properly designed and implemented internal controls, the college failed to submit and post quarterly reports for quarters ended December 31, 2020, June 30, 2021, and September 30, 2021. In addition, the college failed to post to their website any quarterly student data for the fiscal year ended 2021.

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## *Schedule of Findings and Questioned Costs*

### *For the Year Ended September 30, 2021*

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#### **Recommendation**

The College should design and implement internal controls to ensure compliance with the federal reporting requirements and prepare and post the required quarterly reports for the HEERF Grants.

#### **Views of Responsible Officials of the Auditee**

Bishop State Community College agrees to Finding 2021-005.

### **Section III – Federal Awards Findings and Questioned Costs**

<b>Reference Number</b>	2021-006
<b>Compliance Requirement:</b>	Procurement and Suspension/Debarment
<b>Type of Finding:</b>	Internal Control/Compliance
<b>Internal Control Impact:</b>	Significant Deficiency
<b>Compliance Impact:</b>	Nonmaterial Noncompliance
<b>Assistance Listing Number(s) and Title:</b>	84.425 COVID-19 Higher Education Emergency Relief Fund (HEERF)
<b>Federal Awarding Agency:</b>	U. S. Department of Education
<b>Federal Award Numbers:</b>	P425E200753, P425F204354, P425J200100
<b>Pass-Through Entity:</b>	None
<b>Pass-Through Award Number:</b>	None
<b>Questioned Costs:</b>	\$72,390

The College failed to obtain multiple price quotes for purchases made with federal funds in amounts between the micro-purchase threshold (\$10,000) and the Alabama Competitive Bid Law threshold (\$15,000).

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## *Schedule of Findings and Questioned Costs*

### *For the Year Ended September 30, 2021*

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#### **Finding**

Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, codifies the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (*Uniform Guidance*). Section 200.320 describes the methods of procurement to be followed. This guidance includes procedures for small purchases. Small purchases are purchases higher than the micro purchase threshold but not exceeding the simplified acquisition threshold. During the 2021 fiscal year, the thresholds were \$10,000 and \$250,000, respectively. When small purchase procedures are used, price or rate quotations should be obtained from an adequate number of sources. However, Section 200.18(a) states, “The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward...”

The *Code of Alabama 1975*, Section 41-16-50(a) states, “With the exception of contracts for public works whose competitive bidding requirements are governed exclusively by Title 39, all expenditure of funds of whatever nature for labor, services, work, or for the purchase of materials, equipment, supplies, or other personal property involving fifteen thousand dollars (\$15,000) or more, and the lease of materials, equipment, supplies, or other personal property where the lessee is, or becomes legally and contractually, bound under the terms of the lease, to pay a total amount of fifteen thousand dollars (\$15,000) or more...shall be made under contractual agreement entered into by free and open competitive bidding, on sealed bids, to the lowest responsible bidder...” Since the College must also comply with state law, small purchase procedures can only be used for purchases between the micro-purchase threshold (\$10,000) and the threshold set by the Alabama Competitive Bid Law (\$15,000).

2 CFR Section 200.320(c) states, “Noncompetitive procurement can only be awarded if one or more of the following circumstances apply: (1) The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold; (2) The item is only available from a single source; (3) The public exigency or emergency will not permit a delay resulting from publicizing a competitive solicitation; (4) The Federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from the non-Federal entity; or (5) After solicitation of a number of sources, competition is determined inadequate.”

Section 200.318(i) states, “The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.”

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## ***Schedule of Findings and Questioned Costs***

### ***For the Year Ended September 30, 2021***

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Due to a lack of properly implemented internal controls regarding the procurement process, the College awarded three contracts, in the total amount of \$72,390, without obtaining price or rate quotations from an adequate number of sources. If the purchases qualified for non-competitive proposals, records sufficient to detail the history of the procurement were not maintained.

#### **Recommendation**

The College should design and implement internal controls to ensure compliance with the *Uniform Guidance* and the *Code of Alabama 1975*, Section 41-16-50(a) requirements related to procurement transactions.

#### **Views of Responsible Officials of the Auditee**

Bishop State Community College agrees to Finding 2021-006.

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## *Summary Schedule of Prior Audit Findings*

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## *Summary Schedule of Prior Audit Findings*

### *For the Year Ended September 30, 2021*

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As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511, Bishop State Community College has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2021.

Finding Ref. No.	Status of Prior Audit Finding
2020-002:	<p><b><u>Finding:</u></b></p> <p>Alabama Community College System Board Policy <b>301.02: Accounting Procedures</b> states, “The <i>Fiscal Procedures Manual</i> for the Alabama Community College System shall be used by all institutions.” The <i>Fiscal Procedures Manual</i>, Cash Handling procedures section states, “Strong internal controls for cash collection are necessary to prevent mishandling of institutional funds...”. The procedures go on to state the College should “balance the total monthly receipts to the monthly bank account statements and accounting system monthly reports and resolve all discrepancies.” The performance of reconciliations is an important internal control that helps the College to maintain accountability for cash and to minimize the possibility that errors or irregularities, including misappropriations and fraud could occur and not be detected. In addition, the <i>Fiscal Procedures Manual</i>, Financial Statements section states, “Accuracy of the financial statements depends upon the accounting procedures, internal controls, and internal audit functions maintained by the business office during the year.”</p> <p>Alabama Community College System <b>Board Policy 304.01: Financial Reporting</b> establishes that each institution should submit annual financial statements and the Alabama Community College System Office will provide annual deadlines for submission of the financial statements. Deadlines for the submission of financial statements reduces the possibility that audit reports are not filed by the required due dates.</p>



At year-end, the College failed to properly reconcile the amounts shown in its bank accounts to the amounts shown in its accounting records in a timely manner. The September 30, 2020, bank reconciliations were not prepared until April 2021. The lack of timely reconciliations caused the financial statements, with a due date of November 13, 2020, to not be available for audit until June 22, 2021. During the audit, it was noted that an employee who was authorized to conduct business on bank accounts, separated from the college on May 31, 2020. However, signature cards for bank accounts were not officially changed until September 23, 2020. In addition, bank statements were not on file at the college for some bank accounts and the statements could not be accessed electronically by the college due to subsequent closing of these bank accounts. The bank had to be contacted to obtain these bank statements and the college did not have any documentation on file for the closed accounts.

**Recommendation:**

The College should follow the Cash Handling procedures as set out in the *Fiscal Procedures Manual* as described by the Alabama Community College System Board Policy **301.02: Accounting Procedures** and prepare bank reconciliations monthly with all discrepancies resolved so that the College can produce financial statements and submit them to the Alabama Community College System in accordance with the Alabama Community College System Board Policy **304.01: Financial Reporting**.

Corrective Action was taken except for the signature card with PNC. The intent was to close the account, so no changes were made. The process for closing was changed and we then had to update the signature card. The account has been closed as of June 2022.

2020-003:

**Finding:**

Title 34 of the *Code of Federal Regulations* (CFR) 668 Subpart L – *Financial Responsibility* and the Financial Student Aid (FSA) Handbook discuss an institution's financial responsibility and the required reconciliation process. 34 CFR 668.171(a) states, "To begin and continue to participate in any title IV, HEA program, an institution must demonstrate to the Secretary that it is financially responsible...". The FSA Handbook states, "The cash management regulations establish rules and procedures that a school must follow in

requesting, managing, and returning FSA program funds. Under the cash management regulations, a school has a fiduciary responsibility to have a system in place to: safeguard FSA funds; ensure FSA funds are used only for the purposes intended; act on the student's behalf to repay a student's FSA education loan debt when the school is unable to pay a credit balance directly to the student; and return to the Department any FSA funds that cannot be used as intended." A key component of the system described is a reconciliation. The U.S. Department of Education has three systems that are involved in the reconciliation process. The Common Origination and Disbursement System (COD) which is the system used for processing, storing, and reconciling certain FSA programs. The G5 System is a grants management system. Among other things, the system is used for awards and payments. Finally, the National Student Loan Data Base Systems (NSLDS) is the Department's central data base for student aid. NSLDS receives data from schools, guaranty agencies, the Direct Loan program, and other Department of Education programs.

The FSA Handbook states, "**Title IV reconciliation** is the process by which a school reviews and compares Title IV aid (grants, loans, and Campus-Based aid) recorded on the Department's systems (COD, G5, NSLDS) with the information in the school's internal records. Through reconciliation, disbursement and cash discrepancies are identified and resolved in a timely manner to ensure the school meets all regulatory requirements. Schools must document their reconciliation process and retain any reconciliation documentation for audit and review purposes."

Due to a lack of properly implemented internal controls, the College did not reconcile Title IV Pell Grant Program and Campus Based Program amounts recorded on the Department's system with amounts recorded in the general ledger. This caused the Pell grant payments on the general ledger to be \$15,332.41 less than COD. Also, the Federal Supplemental Educational Opportunity Grant payments recorded on the general ledger were \$1,672.95 less than the amount reported on the Fiscal Operations Report and Application to Participate (FISAP) for administrative costs.

**Recommendation:**

The College should design and implement internal controls to ensure that the amounts recorded for student Title IV aid on the Department of Education systems (COD, G5, NSLDS) are reconciled with amounts recorded for student Title IV aid in the College's general ledger.

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**Corrective action was taken.**

2020-004:

**Finding:**

Federal Register, Volume 84, Number 212 states, "An institution must submit Pell Grant, Iraq and Afghanistan Service Grant, Direct Loan and TEACH Grant disbursement records to COD, no later than 15 days after making the disbursement or becoming aware of the need to adjust a previously reported disbursement".

The Common Origination and Disbursement (COD) System is the federal system through which Federal Pell Grant, Iraq and Afghanistan Service Grant, Direct Loan and TEACH Grant awards are processed.

During the review of Federal Student Aid disbursement records, 25 COD records for which disbursements and adjustments were necessary were tested due to activity on these accounts. The review indicated that six of the twenty-five (24%) COD records were not submitted to COD within the 15-day requirement. The College did not have adequate controls in place to ensure disbursements or adjustments to disbursements were made within the required timeframe. Failure to submit disbursement records within the required timeframe could result in the rejection of all or part of the reported disbursement.

**Recommendation:**

The College should develop controls to ensure compliance with Federal Register, Volume 84, Number 212 and submit student disbursement records within the required timeframe.

**Corrective action was taken.**

2020-005:

**Finding:**

34 CFR, 673.5(a)(1) states, "An institution may only award or disburse a Federal

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Perkins loan or an FSEOG to a student if that loan or the FSEOG, combined with the other estimated financial assistance the student receives, does not exceed the student's financial need.”

In order to test student eligibility, a random sample of 25 students who received Pell Grants were chosen for testing. Four of these students received Federal Supplemental Educational Opportunity Grants (FSEOG) totaling \$2,800. During testing, it was noted that one student was awarded and disbursed aid of \$1,185.39 more than the student's financial need. The amount was made up of FSEOG in the amount of \$1,000 and other aid in the amount of \$185.39. The over-payment was due to the College awarding and not removing FSEOG funds prior to awarding other aid.

**Recommendation:**

The College should develop internal controls to ensure compliance with 34 CFR, 673.5(a)(1) in awarding student financial assistance

**Corrective action was taken.**

2020-006:

**Finding:**

Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200.334 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) states, “financial records, supporting documents, statistical records, and all other non- Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a sub-recipient.”

Due to a lack of properly implemented internal controls over the reporting process for the Higher Education - Institutional Aid annual performance reports, the College could not provide supporting documentation for the financial activity of the grant, nor could the College provide accurate supporting documentation for the enrollment data reported. Failure to properly report grant performance could result in reduced or canceled funding.

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**Recommendation:**

The College should implement internal controls to ensure proper reporting in compliance with the *Uniform Guidance*, Part 200.334.

**Corrective action was taken.**

  
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Jessica Davis, CFO

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## *Auditee Response/Corrective Action Plan*





Office of the President

# BISHOP STATE COMMUNITY COLLEGE

351 North Broad Street • Mobile, Alabama 36603-5898

**VIA EMAIL - [Melissa.Knepper@examiners.alabama.gov](mailto:Melissa.Knepper@examiners.alabama.gov)**

09 June 2022

Ms. Melissa Knepper  
Director of Education Audits  
State of Alabama  
Examiners of Public Accounts  
50 North Ripley Street, Room 3201  
Montgomery, AL 36130-2105

***Re: Bishop State Community College's Response/Corrective Action Plan for Period Ending September 30, 2021***

Dear Ms. Knepper:

Please find enclosed the official response to Bishop State Community College's audit report for the period of October 1, 2020 through September 30, 2021.

If you need additional information from Bishop State Community College, please do not hesitate to let me know how we may be of service.

Sincerely,

Charles E. Jones, Jr.,  
Acting President  
Bishop State Community College

/gjs

Enclosure

pc: Jessica Davis, CFO  
Kelly Little, Director of Accounting, Bishop State

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## BISHOP STATE COMMUNITY COLLEGE

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### *Response/Corrective Action Plan*

*For the Year Ended September 30, 2021*

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As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511(c), Bishop State Community College prepared and hereby submits the following Corrective Action Plan for the findings included in sections two and three of the Schedule of Findings and Questioned Costs for the year ended September 30, 2021.

### **Section II – Financial Statement Findings (GAGAS)**

<b>Reference Number:</b>	2021-003
<b>Type of Finding:</b>	Internal Control
<b>Internal Control Impact:</b>	Significant Deficiency
<b>Compliance Impact:</b>	None

**Bank authorizations were not updated when key officials terminated employment.**

#### **Finding**

Internal control is a process affected by those charged with governance, management and other personnel that is designed to provide reasonable assurance about the achievement of the entity's objective with regard to the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. Internal controls over cash should include a periodic review of employee's access to bank accounts. Banks commonly require signature card authorizations to be completed by an authorized employee from the College. These forms indicate who is authorized to perform banking transactions. These forms should be updated timely when personnel changes occur. Periodic review of bank access helps the College to maintain accountability for cash and minimize the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected.

The College did not remove an employee's signature authorization to perform banking actions in a timely manner. Signature card authorization were reviewed, and it was determined that key officials who departed employment were still listed as authorized signers on two of the College's bank accounts. Test revealed that up through February 7, 2022, the prior President and prior Dean of Finance, whom both departed employment in July 2021, were still listed as authorized signers on one of the College's "Federal and Non-Federal funds" account. Test also revealed that up through May 17, 2022, the prior President, Dean of Finance, and a Comptroller, who departed employment in September 2020, were listed as authorized users on a "payroll clearing" account.

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## BISHOP STATE COMMUNITY COLLEGE

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### **Recommendation**

The College should ensure that all banking authorizations are updated timely when employees depart from the College.

### **Views of Responsible Officials of the Auditee:**

Bishop State agrees to finding 2021-003.

### **Corrective Action Plan**

The College recognizes that banking signature cards were not updated timely. Administrative personnel changes have stabilized, and signature cards are current. All account changes needed are now recorded and will be handled properly upon personnel changes.

### **Anticipated Completion Date:**

May, 2022

### **Contact Person(s):**

Jessica Davis, Chief Financial Officer

<b>Reference Number:</b>	2021-004
<b>Type of Finding:</b>	Internal Control
<b>Internal Control Impact:</b>	Significant Deficiency
<b>Compliance Impact:</b>	None

**The College failed to post salary accruals for instructors' salaries at year end.**

### **Finding**

Paragraph 1600.103 of the Codification of Governmental Accounting and Reporting Standards states, "The statement of net assets and the statement of activities should be prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and non-exchange transactions should be recognized when the exchange takes place." Paragraph 1600.102 states that under the accrual basis of accounting, most transaction are recognized when they occur, regardless of when cash is received or disbursed.

At fiscal year end the College had instructors who earned salary and benefits that would not be paid until the next fiscal year. Accrual accounting requires the amounts owed to these employees be calculated and reported on the financial statements. Due to a lack of properly implemented internal controls, the College calculated an amount for salary and wages payable but failed to post the calculation to the general ledger and report the amount on the financial statements. The College's failure to recognize and record the expenses and liabilities resulted in errors in the financial statements.

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## BISHOP STATE COMMUNITY COLLEGE

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### **Recommendation**

The College should implement internal controls to ensure year-end accruals are properly posted to the general ledger and reported on the financial statements.

### **Views of Responsible Officials of the Auditee:**

Bishop State agrees to finding 2021-004.

### **Corrective Action Plan**

The College prepared wages payable and ran posting; however, the College failed to recognize the posting never hit the general ledger. Personnel will make sure reports are run and verification of journal voucher posting occurs during the year end process. Once the journal voucher is approved the Director of Accounting will run the general ledger to ensure posting occurred.

### **Anticipated Completion Date:**

June, 2022

### **Contact Person(s):**

Jessica Davis, Chief Financial Officer

Kelly Little, Director of Accounting

## **Section III – Federal Awards Findings and Questioned Costs**

<b>Reference Number</b>	2021-005
<b>Compliance Requirement:</b>	Reporting
<b>Type of Finding:</b>	Internal Control/Compliance
<b>Internal Control Impact:</b>	Material Weakness
<b>Compliance Impact:</b>	Material Noncompliance
<b>Assistance Listing</b>	
<b>Number(s) and Title:</b>	84.425 – Higher Education Emergency Relief Fund (HEERF)
<b>Federal Awarding Agency:</b>	U.S. Department of Education
<b>Federal Award Number:</b>	P425E200753, P425F204354, P425J200100
<b>Pass-through Entity:</b>	None
<b>Pass-through Award Number:</b>	None
<b>Questioned Costs:</b>	None

The College failed to submit all of the required quarterly reports due for COVID-19 HEERF reporting.

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## BISHOP STATE COMMUNITY COLLEGE

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### **Finding**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan (ARP) established and funded the Higher Education Emergency Relief Fund (HEERF).

The reporting requirements for HEERF funding include a Quarterly Budget and Expenditure Report (QBER). Expenditures of awards funded by HEERF I, II, III Sections 18004(a)(1) Institutional Portion, 18004(a)(2), and 18004(a)(3) should be reported using the QBER form developed by the grantor. The form is required to be posted on the institution's primary website. In addition, the HEERF Student Aid Portion public reporting requirements require quarterly reports containing data elements be publicly posted.

The College was awarded an Institutional Portion grant under 18004(a)(1) and a Historically Black Colleges and Universities (HBCU) grant under 18004(a)(2). Each of the College's quarterly reports during the fiscal year were selected for review. Due to a lack of properly designed and implemented internal controls, the College failed to submit and post quarterly reports for quarters ended December 31, 2020, June 30, 2021, and September 30, 2021. In addition, the College failed to post to their website any quarterly student data for the fiscal year ended 2021.

### **Recommendation:**

The College should design and implement internal controls to ensure compliance with the federal reporting requirements and prepare and post the required quarterly reports for the HEERF Grants.

### **Views of Responsible Officials of the Auditee**

Bishop State agrees to finding 2021-005.

### **Corrective Action Plan**

The College recognizes it did not meet deadlines of required HEERF reporting. Staffing changes lead to items not being done. A new Grant Administrator is in place and all reporting will be done on time moving forward. All past quarterly reports are now available on Bishop State website and the Grant Administrator is working to meet reporting deadlines.

### **Anticipated Completion Date:**

June, 2022

### **Contact Person(s):**

Jessica Davis, Chief Financial Officer

Melisa Gaither, Grant Administrator

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## BISHOP STATE COMMUNITY COLLEGE

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**Reference Number** 2021-006  
**Compliance Requirement:** Procurement and Suspension/Debarment  
**Type of Finding:** Internal Control/Compliance  
**Internal Control Impact:** Significant Deficiency  
**Compliance Impact:** Nonmaterial Noncompliance

**Assistance Listing Number(s)  
and Title:** 84.425 COVID-19 Higher Education Emergency  
Relief Fund (HEERF)

**Federal Awarding Agency:** U.S. Department of Education  
**Federal Award No.** P425E200753, P425F204354, P425J200100

**Pass-through Entity:** None  
**Pass-through Award Number:** None

**Questioned Costs:** \$72,390.00

The College failed to obtain multiple price quotes for purchases made with federal funds in amounts between the micro-purchase threshold (\$10,000) and the Alabama Competitive Bid Law threshold (\$15,000) and failed to bid purchases over the Alabama Competitive Bid Law threshold (\$15,000).

### **Finding**

Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, codifies the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (*Uniform Guidance*). Section 200.320 describes the methods of procurement to be followed. This guidance includes procedures for small purchases. Small purchases are purchases higher than the micro purchase threshold but not exceeding the simplified acquisition threshold. During the 2021 fiscal year, the thresholds were \$10,000 and \$250,000, respectively. When small purchase procedures are used, price or rate quotations should be obtained from an adequate number of sources. However, Section 200.18(a) states, “The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward...”

The *Code of Alabama 1975*, Section 41-16-50(a) states, “With the exception of contracts for public works whose competitive bidding requirements are governed exclusively by Title 39, all expenditure of funds of whatever nature for labor, services, work, or for the purchase of materials, equipment, supplies, or other personal property involving fifteen thousand dollars (\$15,000) or more, and the lease of materials, equipment, supplies, or other personal property where the lessee is, or becomes legally and contractually, bound under the terms of the lease, to pay a total amount of fifteen thousand dollars (\$15,000) or more...shall be made under contractual agreement entered into by free and open competitive bidding, on sealed bids, to the lowest responsible bidder...” Since the College must also comply with state law, small purchase procedures can only be used

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for purchases between the micro-purchase threshold (\$10,000) and the threshold set by the Alabama Competitive Bid Law (\$15,000).

2 CFR Section 200.320(c) states, “Noncompetitive procurement can only be awarded if one or more of the following circumstances apply: (1) The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold; (2) The item is only available from a single source; (3) The public exigency or emergency will not permit a delay resulting from publicizing a competitive solicitation; (4) The Federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from the non-Federal entity; or (5) After solicitation of a number of sources, competition is determined inadequate.”

Section 200.318(i) states, “The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.”

Due to a lack of properly implemented internal controls regarding the procurement process, the College awarded three contracts, in the total amount of \$72,390, without obtaining price or rate quotations from an adequate number of sources. If the purchases qualified for non-competitive proposals, records sufficient to detail the history of the procurement were not maintained.

### **Recommendation:**

The College should design and implement internal controls to ensure compliance with the *Uniform Guidance* and the *Code of Alabama 1975*, Section 41-16-50(a) requirements related to procurement transactions.

### **Views of Responsible Officials of the Auditee:**

Bishop State agrees to finding 2021-006.

### **Corrective Action Plan**

The College recognizes two purchasing issues occurred with HEERF funding. The purchasing of safety services during the pandemic to control people in and out of the buildings was first placed on the security firm that secured the bid, however due to the pandemic they were not able to full fill the obligations of the bid and a second service had to be secured quickly for the health and safety of all employees and students on-site at Bishop State Community College. The additional purchases made it through in error and corrective action has been taken to remedy the likelihood of it occurring again. A purchasing agent has been employed to monitor the volume of all spending and control vendor selection.

### **Anticipated Completion Date:**

January 2022

### **Contact Person(s):**

Jessica Davis, Chief Financial Officer  
Rhonda Williams, Purchasing Agent

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### **Schedule of State Compliance and Other Findings**

#### **2021-001 Finding:**

Prior year Finding 2020-001 is brought forward to the current fiscal year as follows:

The Alabama Community College System (ACCS) Board's Policy **324.01: *Capital Assets*** states: "Each institution shall conduct an annual physical inventory of capitalized items and reconcile to the financial statement for the corresponding fiscal year." The Chancellor's procedure for Policy 324.01 states, "The inventory shall show the complete description, manufacturer's serial number, acquisition cost, date of purchase, location, responsible office or employee, and the College property control number. An employee must be designated as property manager. Except for books, the property manager shall make an annual physical inventory of all applicable personal property. When a physical inventory fails to locate property items listed on the previous inventory, then a complete explanation accounting for the property and disposition thereof shall be attached to the inventory and submitted to the Chief Financial Officer."

The performance of an annual inventory with reconciliation to the financial statements helps the College to maintain accountability for property and to minimize the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected. The College failed to perform an annual physical inventory of capital assets for the 2021 fiscal year. Eight equipment items randomly selected for physical location were located; however, it was noted that for six of the equipment items serial numbers were not included in the College's equipment inventory records.

#### **Recommendation:**

In order to ensure that accountability is maintained for property, the College should follow the physical inventory requirements in ACCS Board Policy **324.01: *Capital Assets***.

#### **Views of Responsible Officials of the Auditee**

Bishop State agrees to finding 2021-001.

#### **Corrective Action Plan**

The College agrees ACCS Board Policy **324.01: *Capital Assets***, should be followed and implemented. Change in personnel at critical times left the annual physical inventory undone for the year. This process has now been assigned to the new purchasing agent and is backed up by the Director of Accounting to ensure annual inventory occurs as required annually.

#### **Anticipated Completion Date:**

June 2022

#### **Contact Person(s):**

Kelly Little, Director of Accounting  
Rhonda Williams, Purchasing of Agent

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### **2021-002 Finding:**

The Internal Revenue Service Publication 15-B provides that certain fringe benefits, such as employer provided vehicles to be used for commuting purposes, provided to employees are considered taxable to the individual, unless they qualify for certain exemptions. The College provided a college-owned vehicle to an employee for commuting purposes. The individual did not qualify for an exemption under the Internal Revenue Service Guidelines. The College did not have policies and procedures in place to ensure the value of fringe benefits, as defined in IRS Publication 15-B, were included on the employee's W-2 form. As a result, the College did not properly report all taxable compensation on the employee's W-2 form.

### **Recommendation:**

The College should have procedures in place to assess the taxable fringe benefits resulting from the personal use of college-owned vehicles to employees in accordance with IRS regulations and should ensure proper reporting on the employees' W-2 Forms.

### **Views of Responsible Officials of the Auditee**

Bishop State agrees to finding 2021-002.

### **Corrective Action Plan**

Bishop State recognizes the requirements of Internal Revenue Service Publication 15-B provides that certain fringe benefits, such as employer provided vehicles to be used for commuting purposes, provided to employees are considered taxable to the individual, unless they qualify for certain exemptions. Human Resources and Payroll are now both aware of the requirement and a form has been created to capture all required information for proper W2 documentation.

### **Anticipated Completion Date:**

November, 2021

### **Contact Person(s):**

Kelly Little, Director of Accounting